

DRAFT 9/3/2020

WASHINGTON STATE HEALTH INSURANCE POOL (WSHIP)

A STUDY OF THE POTENTIAL IMPACT OF ENDING WSHIP'S NON-MEDICARE PROGRAM ON DECEMBER 31, 2022

This study provides the WSHIP Board of Directors with information and insights to evaluate the upcoming 12/31/22 statutory sunset of WSHIP's non-Medicare program.

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INTRODUCTION

The purpose of this study is to provide the WSHIP Board with information and insights to evaluate the upcoming statutory sunset of WSHIP's non-Medicare program, and help inform discussions concerning the discontinuation of these plans.

RCW 48.41.160(9) The pool shall discontinue all non-Medicare pool plans effective December 31, 2022.

The sunset of WSHIP's non-Medicare program is also referenced in statute as a qualifier for WSHIP eligibility. This means that no state residents (including current enrollees) will be eligible for WSHIP non-Medicare coverage after December 31, 2022, and WSHIP will no longer serve as the safety net for bare counties in the individual market in 2023 or beyond. (It should be noted that the statutory sunset applies only to WSHIP's non-Medicare program; WSHIP's Medicare program remains open to Medicare enrollees unable to obtain comprehensive supplemental coverage.)

With the non-Medicare sunset only a couple of years away, this study provides an examination of the impact the sunset may have on WSHIP, its non-Medicare enrollees and the broader health care community.

In performing this analysis, we sought answers to the following key questions:

What is the demographic profile of the 200 individuals who are still enrolled in WSHIP's non-Medicare coverage nearly six years after enrollment was closed to new applicants?

Why did these enrollees stay with WSHIP when they might have found health insurance coverage through the commercial individual health insurance market?

Will these enrollees have access to other coverage when WSHIP coverage ends?

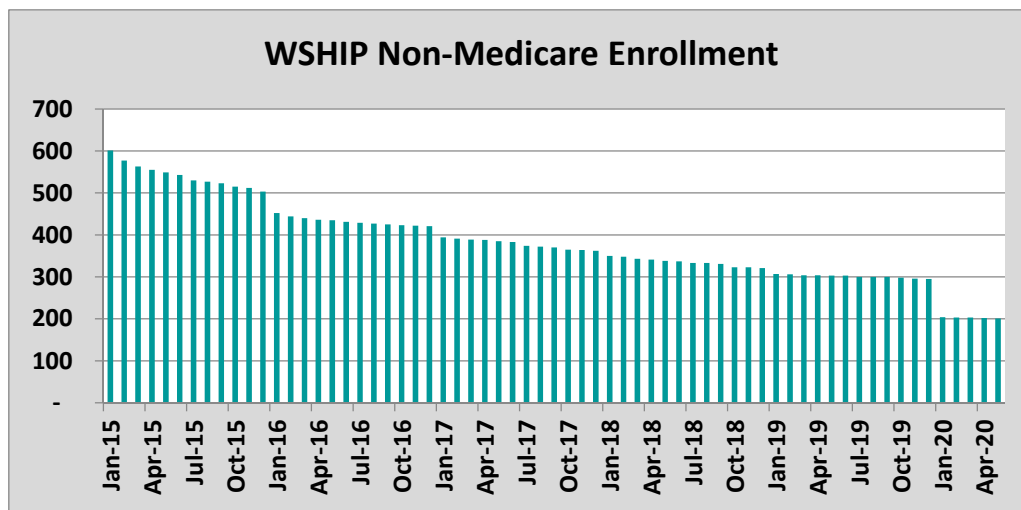
What are the operational and financial impacts of the non-Medicare sunset on WSHIP?

What are the broader impacts of discontinuing WSHIP coverage for this group of individuals?

Are there reasons why an extension of the sunset date should be considered?

DEMOGRAPHIC PROFILE

WSHIP’s non-Medicare program is only available to persons enrolled in WSHIP prior to 2014 or who reside in a county where individual health plans are not offered; it has been closed to new enrollment since 2014 because individual coverage has been available in all counties. In the past five years, enrollment has dropped by over 60% from the January 2015 level of about 600 enrollees to about 200 enrollees as of May 2020. The attrition was relatively consistent with an annual loss of 10% to 15% of the enrollees each year from 2015 through 2018, and in 2019 enrollment leveled out. Membership then dropped by about 30% in January 2020.



The 200 enrollees remaining in WSHIP’s non-Medicare plans exhibit the following characteristics:

- Their 2019 health care costs averaged about \$8,300 a month. Medical expenses averaged about \$4,800 and pharmacy averaged about \$3,500 per month. This represents an increase of approximately 65% over the five-year period, or an average annual trend of about 11%.
- About 65% are low-income persons with HIV/AIDS (ineligible for ACA plans) whose premium are paid by the Washington State Department of Health’s Early Intervention Program by the Evergreen Health Insurance Program (EHIP). Another 6% are sponsored by other third parties. About 29% do not have a third-party sponsor and self-pay their premium.
- 69% of the enrollees are male, 31% are female. The average age is 46. About half live in King County. The remaining enrollees are spread out over an additional twenty-one counties. Over 70% of the enrollees are currently in the \$2,500 deductible plan.
- Despite being the most prevalent condition with 65% of the enrollees, HIV/AIDS represented only 27% of the 2019 claims. Kidney disease was the costliest condition with 36% of the claims for only 16 enrollees. These two conditions are prevalent in 72% of the enrollees. The remaining 28% of the enrollees have a variety of conditions including cancer, hemophilia, arthritis, heart conditions, and other conditions.

ENROLLEE SURVEY

As part of this study, a survey of current WSHIP enrollees was conducted. The survey was available either electronically or on paper and in English or Spanish.

Thirty-three WSHIP non-Medicare enrollees responded to the survey, a response rate of approximately 16%. The respondents demonstrated the following demographic characteristics:

- 61% of the respondents pay their own premium.
- 69% of the respondents were male, the same as the total non-Medicare population.
- The average age of respondents was 42, slightly younger than the total non-Medicare population average age of 46.
- 36% of the respondents live in King County, compared to 54% in the total non-Medicare population. 18% of the respondents live in Snohomish County and the remaining 46% were spread out over an additional 11 counties.
- 33% of the respondents did not know what benefit plan they are in. Of the remaining 67%, almost half were in the \$500 deductible plan.

Here are the highlights of the responses:

- 78% of the respondents do not yet know what they will do when WSHIP coverage ends as of 12/31/2022. 16% plan to secure coverage through the commercial marketplace. The remaining 6% plan to secure coverage through a spouse's plan or not buy coverage and become uninsured.
- 42% of the respondents considered options available during the 2020 open enrollment but decided to stay with WSHIP. Respondents were asked to mark all reasons that applied. The top three reasons were:
 - I like my WSHIP coverage and didn't really want to change (56%)
 - My WSHIP coverage for doctor and hospital care is more generous (44%)
 - My WSHIP coverage for prescription drugs is more generous (44%)
- Over half of the enrollees (58%) did not consider options available during the 2020 open enrollment. Respondents were asked to mark all reasons that applied. The reasons given were as follows:
 - I knew I could keep my WSHIP coverage in 2020 and had no interest in changing (63%).
 - Many other reasons were given, such as:
 - Inability to afford prescriptions under other plans.
 - Lack of access to a computer and confusion over marketplace plans.
 - Concerns about eligibility for marketplace plans.

MARKET ANALYSIS

The unpredictable nature of the individual market makes planning difficult because benefit options and county coverage change from year-to-year. Additional uncertainty related to the upcoming elections and the economic and health impacts of COVID-19 make the health coverage landscape even more uncertain. While the individual market appears stable for 2021, it is too early to accurately predict coverage options for 2023 when WSHIP's non-Medicare coverage will no longer be available. If the market remains relatively unchanged, enrollees who may be ineligible for ACA plans are at most risk of becoming uninsured after the sunset date unless they can access the off-Exchange market. Differences in the application process and documentation requirements for off-Exchange plans may present challenges/barriers for some enrollees. (WSHIP does not have citizenship information, however, we anticipate there is a sizable group of individuals with HIV/AIDS in the non-Medicare program who will not be eligible for ACA plans.)

Based on initial 2021 rate filings, every county will have carriers offering individual health insurance coverage both on and off the Exchange. The distribution of the WSHIP non-Medicare enrollees by county, and the number of carriers offering coverage on and off the Exchange is shown in the following table. Only the counties where WSHIP enrollees reside are listed. This table shows that all current enrollees reside in counties where individual plans will be offered in 2021.

County	WSHIP Enrollees (As of 5/20)	# of Individual Carriers	
		On Exchange	Off Exchange
Adams	1	3	2
Benton	2	5	5
Chelan	1	3	3
Clallam	1	3	1
Clark	2	6	4
Cowlitz	1	4	2
Douglas	1	3	3
Franklin	1	5	6
King	108	8	5
Kitsap	4	7	5
Lewis	2	5	3
Pierce	17	9	6
San Juan	1	2	1
Skagit	4	4	3
Snohomish	28	6	5
Spokane	3	8	7
Stevens	1	3	2
Thurston	9	8	6
Walla Walla	3	5	5
Yakima	10	7	4

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WSHIP offers five plans with medical deductibles ranging from \$500 to \$5,000. Medical and pharmacy benefits have separate deductibles and maximum out-of-pocket amounts (MOOP). A brief description of each plan's cost sharing and enrollment is shown in the two following tables.

WSHIP Plan #	Medical		Pharmacy		Enrollment Percentage
	Deductible	MOOP	Deductible	MOOP	
1	\$500	\$1,000	\$0	\$500	17%
2	\$1,000	\$1,650	\$0	\$850	5%
3	\$2,500	\$5,000	\$500	\$5,000	71%
4	\$3,000 HSA	\$5,250	Combined with medical		3%
5	\$5,000	\$10,000	\$500	\$5,000	4%

WSHIP Plan #	Medical Coinsurance	Pharmacy Copay/Coinsurance		
		Generic	Preferred Brand	Non-Preferred Brand
1	20%	\$2	10% up to \$50	15% up to \$100
2	20%	\$5	15% up to \$50	20% up to \$100
3	20%	20%	30%	50%
4	20%	20%	20%	20%
5	20%	20%	30%	50%

Commercial individual market plans available for 2021 include a wide range of deductible and maximum out-of-pocket amounts. Unlike WSHIP, commercial plans do not have separate maximum out-of-pockets for medical and pharmacy benefits. The table below does not include plans with income-related cost share reductions, which are available only through the Exchange and typically have lower deductibles and maximum out-of-pockets.

Commercial Market	Low	High
Deductible	\$0	\$8,550
Max Out-of-Pocket	\$5,250	\$8,550

The generosity of WSHIP's prescription drug coverage was cited in the enrollee survey as one of the main reasons for staying with WSHIP. Below is a sample of the drug cost sharing in some of the most generous commercial plans for 2021.

Commercial Market Carrier	Metal Level	Pharmacy Copay/Coinsurance					
		Preferred Generic	Generic	Preferred Brand	Brand	Preferred Specialty	Specialty
A	Gold	\$10	20%	30%*	50%*	40%*	50%*
B	Gold		\$15	\$30	30%*		30%*
C	Gold		\$15	\$40	\$80		50%
D	Gold		\$10	\$30	50%		50%
E	Gold		\$10	\$40	40%		40%
F	Gold		\$10	30%*	30%*		50%*

* After deductible

WSHIP OPERATIONAL AND FINANCIAL IMPACTS

Operationally, WSHIP will be impacted by the sunset of the non-Medicare program in the following ways:

- A provider network will no longer be needed since the structure of the Medicare plans provides for reimbursement only of the portion of a claim not paid by Medicare, which has its own reimbursement schedule. Thus, the current provider network contract can be cancelled, and its associated fees will be eliminated.
- The same is true with the care management contract. Since the WSHIP Medicare plans provide supplemental coverage only, coverage is managed by Medicare.
- WSHIP's need for a pharmacy benefit manager (PBM) will be significantly reduced. The current PBM contract for non-Medicare enrollees includes a pharmacy network and negotiated discounts for prescription drugs. Drug benefits other than negligible Part B drugs are not provided to WSHIP's Medicare enrollees, except for about 130 individuals who remain in the Basic Plus Plan. The Basic Plus Plan, which provides supplemental coverage for Medicare Part D drug plans, has been closed to new enrollment since 2006. It does not require access to a WSHIP pharmacy network, however, Medicare Part D wrap-around services provided by the PBM will still be needed to administer this plan.

Financially, the closure of the non-Medicare program will significantly lower WSHIP assessments.

- Over 60% of WSHIP's projected 2021 assessment of approximately \$25 million is for the non-Medicare program. In the absence of that program, the projected assessment for 2021 would be reduced to about \$9 million.
- On a per member per month (PMPM) basis, the projected \$25 million assessment for 2021 is equivalent to about \$0.61 per month for each individual insured by assessed insurance carriers. That amount is comprised of \$0.37 for WSHIP's non-Medicare enrollees and \$0.24 for WSHIP's Medicare enrollees.

BROADER IMPACTS

To gain an understanding of the broader impacts of sunseting the WSHIP non-Medicare program, informal interviews were conducted with 23 individuals representing 11 entities in the broader health community. The goal of the outreach was to gain an understanding of how the scheduled sunset might affect members of the broader health care community, including hospitals, physicians, carriers, consumer advocates, agents, and others. Input from the interviews was aggregated and used to identify common thread issues.

In general, the response to the request for input was positive and made it clear that there is significant interest in this topic. Most discussion went beyond the allotted time and involved multiple staff members within each organization.

Common threads and key take-aways that surfaced from the outreach included the following:

- There is a strong desire to avoid enrollees losing their coverage (and potentially adding to the uninsured population).
- WSHIP is viewed positively and there is support for extending the sunset date.
- The cost of continuing the non-Medicare program is generally viewed as minimal compared to value.
- Of concern is that WSHIP's medically fragile enrollees may experience interruptions in care or become *"lost to coverage"* if they have to change providers in order to remain insured.
- Third-party premium sponsorships beyond those required by federal statute may not be accepted in the commercial market.
- Concerns were raised about who would serve as a safety net in the event of bare counties.
- There is interest in WSHIP's perceived potential to serve an expanded purpose in the future if needed.
- It is difficult to accurately assess the potential impact of the 2022 sunset. *"A lot can happen between now and then."*

KEY FINDINGS

The following bullets summarize the key impacts of the statutory sunset of WSHIP's non-Medicare program that were identified in this study:

- Between 160 and 200 enrollees will likely be in WSHIP's non-Medicare program when their WSHIP coverage is terminated on December 31, 2022.
 - Their average claims costs are about \$8,300.
 - HIV/AIDS and kidney disease are the most prevalent conditions; kidney disease is the costliest condition.
 - 65% are low-income persons with HIV/AIDS (ineligible for ACA plans) whose premiums are paid by the Washington State Department of Health (DOH) Early Intervention Program.
 - Enrollees reside in counties where individual health plans will be offered (both on and off the Exchange) in 2021 based on a review of preliminary filings with the Office of Insurance Commissioner (OIC).
- Enrollee survey indicates that most do not yet know what they will do when their WSHIP coverage ends; WSHIP's benefits were cited as a top reason for staying in WSHIP currently.
- The off-Exchange market can be more difficult to navigate due to differences between carriers in the application process and documentation requirements.
- Third-party premium sponsorships beyond those required by federal statute may not be accepted in the commercial market; this may be a barrier for some enrollees.
- While the individual health insurance market appears stable currently, it is important to note that after 2022, WSHIP will no longer serve as the state's safety net for bare counties should that situation arise.
- Based on 2021 projections, the sunset of the non-Medicare plans will reduce WSHIP assessments from an estimated \$0.61 per member per month (PMPM) to \$0.24 PMPM for individuals insured by Member Plans (carriers).
- The cost of continuing the non-Medicare program is generally viewed as minimal compared to value.
- There is support for extending the sunset, and interest in retaining the program's infrastructure for potential new or expanded purposes in the future.
- Given all the unknowns (elections, federal and state changes, the ACA, universal coverage, Cascade Care, COVID-19, and so forth), it is difficult to accurately assess the potential impact of the 2022 sunset. A lot could happen between now and then.